

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1412

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER) ORDER
)
Application for Deferred Accounting.)

DISPOSITION: APPLICATION APPROVED

On December 31, 2008, PacifiCorp, dba Pacific Power (Pacific Power or Company), filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 469A.120 and OAR 860-027-0300 for an accounting order to defer the costs related to renewable resources pursuant to Senate Bill 838. The Company filed an amendment to the application on January 8, 2009. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

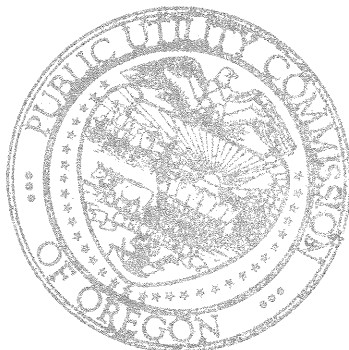
At its Public Meeting on February 24, 2009, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that Pacific Power's application is approved effective January 1, 2009.

Made, entered, and effective MAR 02 2009.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. ~~CA10~~

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 24, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2009

DATE: February 17, 2009

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *W* Lee Sparling, *EB* Ed Busch, and *JJ* Judy Johnson

SUBJECT: PACIFIC POWER & LIGHT: (Docket No. UM 1412) Defers costs related to renewable resources pursuant to Senate Bill 838.

STAFF RECOMMENDATION:

I recommend that Pacific Power & Light's (PPL or Company) application, as amended on January 8, 2009, be approved.

DISCUSSION:

This filing, pursuant to ORS 469A.120(1) and (3), and OAR 860-027-0300, requests deferral of the costs listed below that are related to renewable resources previously approved by the Commission in Docket UE 199, PPL's 2009 Transition Adjustment Mechanism (2009 TAM), and Docket UE 200, PPL's 2009 Renewable Adjustment Clause (2009 RAC). This request is for accounting purposes only and the Company will request inclusion of the expense into rates at a later date. Prior to amortization, any deferred expense will be reviewed to ensure that it was prudently incurred.

1. Difference in the revenue requirement between the estimated liquidated damages related to the Goodnoe Hills wind resource (GH) that was used to decrease the rate base of the resource in the 2009 RAC, and actual liquidated damages;
2. Difference between the projected capital expense of the Glenrock wind resource that was included in the 2009 RAC, and the actual capital expense;
3. Revenue requirement for the period of January 1, 2009 to January 21, 2009, associated with the Seven Mile Hill wind resource (SMH) which was removed from the 2009 RAC in Advice No. 08-027. Beginning January 21, 2009, the

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- difference between the projected capital expense of SMH included in the 2009 RAC, and the actual capital expense; and,
4. Revenue requirement associated with the non-net power cost (NPC) of the Seven Mile Hill II (SMH II) and Glenrock III wind resources, and the decrease to NPC, associated with these resources that was included in the 2009 TAM.

Goodnoe Hills – related liquidated damages

In the 2009 RAC proceeding, the Company agreed to a reduction in rate base for GH to account for the recovery of liquidated damages from the GH contractor. When the Company filed testimony in the 2009 RAC, the actual amount of liquidated damages was not known so PPL reduced rate base for this resource by the estimated maximum damages of approximately \$4.1 million on a total Company basis. The total was still unknown at the time of the December 1, 2008 update. The request for the deferral of the revenue requirement associated with the difference between the estimated and actual liquidated damages is in accordance with the RAC stipulation adopted by the Commission.¹ At this time, PPL is unable to estimate the amount that may be deferred. The Company will account for the revenue requirement difference related to capital expense by recording the deferral in Account 182.3 (Regulatory Assets).

Glenrock - difference between projected and actual capital expense

As the Glenrock resource did not go online until December 31, 2008, the Company was unable to verify the final capital expense by the December 1, 2008, update. The revenue requirement associated with forecasted capital expense was included in the 2009 RAC. This deferral request is in accordance with the RAC stipulation adopted by the Commission.² At this time, PPL is unable to estimate the amount that may be deferred. The Company will account for the revenue requirement difference related to capital expense by recording the deferral in Account 182.3 (Regulatory Assets) or Account 254 (Regulatory Liabilities).

SMH – Revenue requirement for the period of January 1 – 20, 2009; and, beginning January 21, 2009, the difference between projected and actual capital expense

As a prerequisite for approval of the Company's 2009 RAC rates filed in Advice No. 08-021, the Commission required the company to file attestations by noon on December 31, 2008, stating that SMH was in service and producing power.³ Because SMH was not fully operational by noon of that day, PPL filed a compliance rate tariff filing that removed the SMH revenue requirement from rates.

¹ See Order No. 07-572, Attachment A, page 5, 6.f.

² Ibid.

³ See the 12/22/08 public meeting agenda item CA15 (Docket No. UE 200/Advice No. 08-021).

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As SMH was fully operational before midnight of December 31, 2008, the Company subsequently filed, and the Commission approved,⁴ a replacement tariff that added the SMH revenue requirement into rates effective January 21, 2009. In accordance with prior Commission approval⁵, the Company's original deferred accounting application sought deferral of the revenue requirement of SMH as soon as the resource came into service. In its amended application, the Company requests to defer: 1. SMH's revenue requirement from January 1- 20, 2009; and, 2. Beginning January 21, 2009, the difference between projected capital expense included in the 2009 RAC, and the actual capital expense. The Company will account for the SMH revenue requirement for the period of January 1 – 20, 2009, by recording the deferral in Account 182.3 (Regulatory Assets). PPL estimates that \$350,000 may be deferred as the revenue requirement for the January 1 – 20, 2009, period. At this time, the Company is unable to estimate the amount that will be deferred to account for the difference between the projected and actual capital expense. The Company will account for the difference in estimated and actual capital expenses by recording the deferral in Account 182.3 (Regulatory Assets) or Account 254 (Regulatory Liabilities).

SMH II and Glenrock III capital expense and NPC benefits

The parties to the 2009 TAM stipulation agreed that these resources would remain in the dispatch stack for purposes of calculating the November 2008 TAM updates, but the resources would be excluded from the 2009 RAC. As a result, customers will be receiving the benefits of the resources while the Company is not recovering the related costs. As previously approved by the Commission,⁶ PPL is requesting to defer: 1. The revenue requirement, net of dispatch benefits, associated with the non-NPC related costs of SMH II and Glenrock III; and, 2. The decrease to NPC associated with these resources, so that it can later seek to recover the associated NPC decrease included in the 2009 TAM if the Commission should later disallow the costs associated with the resources. For 2009, PPL estimates the deferrals associated with non-NPC related expense to be approximately \$1.5 million for SMH II, and approximately \$3 million for Glenrock III. The Company would record the deferrals associated with each resource in Account 182.3 (Regulatory Assets). For 2009, PPL estimates that the deferrals associated with NPC related expense to be approximately \$750,000 for SMH II, and \$1.1 million for Glenrock III. The Company would record the deferrals associated with each resource in Account 254 (Regulatory Liabilities).

Staff recommends the Commission approve PPL's filing as the requested deferrals are for renewable energy resources as defined by ORS 469A.025; meet the requirements of

⁴ See the 01/20/09 public meeting agenda item CA7 (Advice No. 09-001)

⁵ See Order No. 07-572, Attachment A Stipulation 6.f

⁶ See Order No. 08-543, Attachment A Stipulation 13.b

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the stipulations cited above that were previously approved by the Commission; and the filing meets the standards required by OAR 860-027-0300.

PROPOSED COMMISSION MOTION:

PPL's application, docketed as UM 1412, and as amended on January 8, 2009, be approved effective January 1, 2009.

PPL 2009 RAC TAM deferrals